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Retailers could see a 5% boost to annual revenues by driving emotional engagement with consumers

Traditional loyalty programs are currently failing to engage consumers; executives and consumers have disconnected views on brands that are driving emotional engagement

Paris, December 5, 2017–Capgemini's Digital Transformation Institute has today released a new report titled "Loyalty Deciphered— How Emotions Drive Genuine Engagement," which seeks to understand the main drivers behind brand loyalty. The report, which surveyed more than 9,000 consumers and 500 executives, found that emotions have the strongest impact in driving consumer loyalty. For retailers who are able to foster loyalty through higher emotional engagement with consumers, there is a great potential business benefit of possibly increasing annual revenues by 5%. The new report also identified a stark disconnect between executives and consumers on how well organizations are making emotional connections; where 80% of executives feel their brand understands the needs and desires of their consumers, only 15% of consumers agree.

Emotions are the main driver of loyalty

Current loyalty approaches are broken. An earlier report found that 28% of consumers are abandoning loyalty programs without redeeming any points and over half (54%) of loyalty memberships are inactive[1]. One key reason is that many of today's loyalty programs attempt to buy consumer loyalty through monetary rewards only. Today's new report reveals that emotions have the strongest correlation to loyalty over rational factors and brand values. Specifically, honesty and trust were noted as having the greatest influence on loyalty. However, there does need to be a balancing act with rational benefits. Consumers with high emotional engagement still believe rational factors and brand values are important when they decide on which companies they will bestow their loyalty.

Creating an emotional connection with consumers drives multiple benefits for retailers

The report found that 82% of consumers with high emotional engagement would always buy the brand they are loyal to when making purchasing decisions (compared to 38% of consumers with low emotional engagement). In addition, 81% of emotionally connected consumers will not only promote the brand among their family and friends, but they will also spend more too. The report found that 70% of consumers with a high emotional engagement spend up to twice as much with those brands.

Emotionally engaged consumers are loyal to the brands they love and willingly act as ambassadors to family and friends. They want brands to be engaged and reciprocate their loyalty in two-way interactions (86%), but they also enjoy giving back to a brand (81%). Consumers also want differentiated shopping experiences both online (75%) and in store (73%)

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[1] Colloquy Customer Loyalty Census, 2017

[Kees Jacobs](#), Consumer Goods & Retail Lead, Insights & Data Global Practice at Capgemini said, *"Consumers are immune to transaction based loyalty programs of the past, so a retailer's engagement with consumers needs to shift from being transactional to more emotional and meaningful. Decoding human emotions will ensure that brands have a better understanding of their consumers leading to building deep-seeded engagement and long-term loyalty with them. With a potential revenue boost of 5% up for grabs, and weak emotional connections ready to be exploited by the competition, no retailer can afford to ignore this reality."*

City dwellers and millennials lead the rise of the emotionally engaged consumers
The report identified a new sub-set of consumers, those with a high emotional connection to the brands they use or visit frequently. Females and males are equally represented in this group, but millennials (58%, aged 18-36) and consumers in urban locations (53%) comprise the largest proportion. From the countries surveyed, Italy (65%) and Brazil (57%) comprise of the most highly emotionally engaged consumers followed by US (56%) and Spain (51%).

How to create an emotional connection
Retailers need to change the way they build relationships with consumers so they are focused on building engagement and mutual trust, rather than being transaction focused. The report sets out four key components to driving 'human loyalty' that retailers should follow to create strong positive emotions, and therefore deeper engagement and loyalty with their consumers:

- **Respect:** Fulfil your commitment by promoting honesty, trust, and integrity.
- **Reciprocate:** Build a two-way relationship with consumers
- **Recognize:** Make the effort to truly know your consumers and understand what they care about to create meaningful experiences.
- **Reward:** Provide timely, meaningful rewards that promote long-term relationships in exchange for loyalty.

Research Methodology
Capgemini Digital Transformation Institute surveyed 548 executives at director-level or above at large companies with 80% of the executives in companies with reported revenue of more than $1 billion in FY 2016. It also surveyed 9,213 consumers aged 18+. Both surveys took place from August to September 2017, and covered nine countries–Brazil, France, Germany, Italy, the Netherlands, Spain, Sweden, the United Kingdom, and the United States; and four industries–Financial Services, Retail, Telecom, and Automotive.

Capgemini also held 17 in depth discussions with a range of senior executives in customer experience, marketing, and strategy including Chief Marketing Officers, Chief Customer Experience Officers, Marketing/ Branding Directors, Heads of Strategy, and leads of loyalty programs. In addition, it interviewed leading experts in customer experience and loyalty as well as academics. This helped Capgemini to understand how organizations define loyalty and how they emotionally connect with consumers. Two virtual focus groups were also held with consumers. One included consumers living in the United Kingdom and within the 22-36 age group and the second included consumers living in the United States within the 37-52 age group.

A copy of the report can be downloaded [here.](#)

About Capgemini
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About the Digital Transformation Institute: The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom and the United States.